

Duke, Daphne

From: Easterling, Deborah
Sent: Thursday, April 29, 2010 1:32 PM
To: Duke, Daphne
Subject: FW: THANKS FOR THE SCE&G PUBLIC HEARING AT SUMMERVILLE
Attachments: 2010-03-15-REQUEST TO DCC-SCE&G RATE 9.5% INCREASE (WORD 2003).doc;
 2010-03-18-EXPANDED LETTER TO DCC-SCE&G RATE 9.5% INCREASE (WORD 2003).doc; 2010-04-26-COMMENTS ON SCE&G PROPOSED 9.5% RATE INCREASE (WORD 2003).doc

From: Jim and Is McGraw [mailto:jim.is@knology.net]
Sent: Wednesday, April 28, 2010 4:08 PM
To: Contact; David A. Wright
Subject: THANKS FOR THE SCE&G PUBLIC HEARING AT SUMMERVILLE

Subject: PROPOSED SCE&G 9.52% RATE INCREASE
 SUMMERVILLE PUBLIC HEARING - APRIL 26, 2010

Dear Chairman, Vice Chairman and Commissioners,

Thank you for your time this past Monday in Summerville for listening to the concerns of Dorchester County residents and consumers of energy provided by SCE&G. Ms. Fleming, as Madam Chair, I thought you did an outstanding job or crowd control of a group of concerned citizens who were expressing true feelings and raw emotion which at times bordered on real hostility. I admire all of you for your courage in holding these Public Hearings.

It was my intent to comment at the meeting but left at 7:10 p.m. as I was already late for a 7:00 p.m. appointment. Therefore, I am attaching a copy of my written comments of April 26, 2010 which I had intended to make at the Public Hearing. If it is possible and/or legal I would like for them to be given to whomever at PSC who was responsible for recording comments and to have them included in the record.

One thing I did not address specifically in my comments is my own personal opinion concerning the 11% of the proposed SCE&G rate increase being appropriated for "Returns to investors and other expenses". This statement covers a wide range. By my standards it is neither morally nor ethically correct for SCE&G to reach into the pockets of their consumers for money then merely turn around and give that money to their investors. I do not always receive the return on investments that I anticipate but I expect any returns to be based on a company's performance and not from donations from their consumers. The following documents are attached:

- 1) Comments prepared for PSC Public Hearing of April 26, 2010 in Summerville, SC.
- 2) Comments I made to Dorchester County Council on March 15, 2010 on SCE&G rate increase.
- 3) A letter of March 18, 2010 which expanded on the comments I made at the March 15, 2010 Dorchester County Council meeting.

Emails and hard copies Items #2 and #3 above were previously sent to Chairman Fleming and Vice Chairman Howard. However, I will send hard copies of all three documents to Chairman Fleming and Vice Chairman Howard.

Probably the greatest contribution you gave to the people of Dorchester County at the Summerville Public Hearing was "hope" merely by the fact that you in your positions took your personal time to both travel and listen to their concerns.

Thanks again,

James D. McGraw

104 Lucretia Lane
Summerville, SC 29483

Phone: (843) 851-7989
Email: jim.is@knology.net

DORCHESTER COUNTY COUNCIL MEETING
7:00 P.M. MONDAY, MARCH 15, 2010
SUMMERVILLE, SC

DORCHESTER COUNTY – SCE&G PROPOSED 9.52% RATE INCREASE

MR. CHAIRMAN, VICE CHAIRMAN AND MEMBERS OF COUNCIL

- JIM MCGRAW – 104 LUCRETIA LANE – SUMMERVILLE, SC

I COULD NOT ATTEND THE MARCH 1ST DORCHESTER COUNTY COUNCIL MEETING NOR READ RESOLUTION #10-03 (SCE&G RATE HIKE) BUT WOULD LIKE COMMENT ON MY INTERPRETATION OF THE NEWSPAPER COVERAGE AND REPORTING. I WOULD ALSO MAKE A REQUEST OF COUNCIL.

1) PURPOSE AND REQUEST:

MY PURPOSE IS TO REQUEST COUNCIL REVISIT THE ADOPTION OF RESOLUTION #10-03 THAT WAS DISCUSSED AT THE MARCH 1ST DORCHESTER COUNTY COUNCIL MEETING AND **SPEAK AS ONE VOICE** FOR YOUR CONSTITUENTS TO **EITHER SUPPORT OR DENY** THE RESOLUTION.

THE NEWSPAPER ARTICLES NOTE THAT THERE WILL BE A "LETTER", (CONTENTS YET TO BE DETERMINED) FOR WHICH EACH COUNCILMAN HAS THE **OPTION TO SIGN** AND WHICH WILL THEN BE SENT TO THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA (PSC).

WHY WOULD ANY COUNCILMAN ON A MAJOR ISSUE **NOT FEEL** THE **RESPONSIBILITY TO GO ON RECORD** THROUGH A RESOLUTION VOTE **TO DEMONSTRATE** THEIR **REPRESENTATION** OF THEIR CONSTITUENTS?

2) RESPONSIBILITY:

a) IT IS A PSC'S RESPONSIBILITY TO DETERMINE RATE STRUCTURE.

b) IT IS A DORCHESTER COUNTY COUNCIL MEMBER'S RESPONSIBILITY AS AN ELECTED OFFICIAL TO REPRESENT HIS CONSTITUENTS

- THE MISSION AND VISION STATEMENTS ON THE DORCHESTER COUNTY GOVERNMENT WEBSITE REFER TO MEETING THE COLLECTIVE NEEDS OF OUR CITIZENS IN A COST EFFECTIVE MANNER AND TO COMMITMENT TO QUALITY AND ITS CITIZEN FOCUS.

3) CONFLICT OF INTEREST:

THERE SHOULD BE NO CONFLICT OF INTEREST IF EACH COUNCILMAN IS REPRESENTING HIS CONSTITUENCY AND NOT HIMSELF. THERE SHOULD BE NO REASON FOR ANY COUNCILMAN TO EXCLUDE HIMSELF OR HIS OPINION FROM HIS DISTRICT COUNT SINCE HE IS A RESIDENT OF THAT DISTRICT.

4) PUBLIC OPPORTUNITY TO VOICE CONCERNS:

- a) THE FACTOR OF DISPROPORTIONATE REPRESENTATION COMES INTO PLAY WHERE FOUR PEOPLE SPEAKING MAY REPRESENT 1,000 RESIDENTS, ONE PERSON SPEAKING MAY REPRESENT 4,000 RESIDENTS, OR VICE VERSA.
- b) I HAVE NEVER BEEN TO A PUBLIC HEARING, **WHICH THERE ARE MANY TYPES**, WHERE ONE PERSON FOR ANY ENTITY UNDER QUESTION CAN BE HELD RESPONSIBLE FOR THE ANSWERS GIVEN.

- c) DORCHESTER COUNTY COUNCIL **SPEAK AS ONE VOICE** FOR YOUR CONSTITUENTS. IF INDIVIDUALS WISH TO SPEAK LET THEM DO SO BUT THEIR PRESENTATION WILL CONTAIN SOME FACTS, SOME OPINIONS, AND SOME BIAS. IT IS CRUCIAL FOR DCC TO SPEAK AS **ONE VOICE** FOR ITS CONSTITUENTS.

5) **RATIONALE OF SCE&G BEING GOOD PARTNER WITH DORCHESTER COUNTY AND THE STATE:**

HOW DOES THIS RELATE TO THE NEEDS OF THE RESIDENTS OF DISTRICTS #1 THROUGH #7 IN DORCHESTER COUNTY? SCE&G SHOULD BE AN "INDEPENDENT" AND "COMPETITIVE" ORGANIZATION ALTHOUGH I DO NOT KNOW EXACTLY WITH WHOM THEY COMPETE. IT WAS NOTED THAT A LOCAL ELECTRIC COMPANY, BERKELEY ELECTRIC COOPERATIVE WHICH SERVES SOME DORCHESTER COUNTY CUSTOMERS RECENTLY ANNOUNCED A RATE DECREASE. I BELIEVE THAT **BERKELEY ELECTRIC COOPERATIVE** WOULD PROBABLY **SERVE** THE NEW **IMO GROUP** PLANT COMING INTO DORCHESTER COUNTY. TO AN OBSERVER ON THE SIDELINES IT APPEARS THAT SCE&G IS NOT IN A COMPETITIVE MARKET BUT IN A CAPTIVE MARKET. IT WOULD BE GOOD TO KNOW WHO COMPRISE THE REAL COMPETITORS OF SCE&G.

- 6) **TIMING FOR RATE INCREASE VS. RESIDENTS' ABILITY TO PAY BILLS:** IT IS HARD TO COMPREHEND SCE&G REQUESTING A 9.5% RATE INCREASE WHEN PEOPLE FROM SCHOOL DISTRICT TEACHERS THROUGH PRIVATE INDUSTRY ARE BEING FURLOUGHED OR TAKING VARIOUS PERCENTAGES OF PAY DECREASES UP TO 100% (I.E., LOSING THEIR JOB). THERE ARE ALSO THOSE ON FIXED INCOME TO CONSIDER.
- 7) **SCE&G BURDENED BY FEDERAL MANDATES:** I PERSONALLY HAVE NO INFORMATION WHETHER THIS IS AN ACTUAL EXISTING SITUATION OR A PROJECTED PRECURSOR OF CAP-AND-TRADE.
- 8) **RUNNING A TIGHT SHIP:** THE REPRESENTATIVE FROM SCANA INDICATED THEY WERE RUNNING A TIGHT SHIP AND THEY MAY BE DOING SO. IN THE SAME ARTICLE A COUNCILMAN NOTED SCE&G HAS MADE "VERY HEALTHY" PROFITS DURING THE RECESSION AND NOT MADE COST CUTTING MOVES. I AM NOT PRIVY TO EITHER SET OF INFORMATION SO CAN ONLY RELATE FROM PERSONAL EXPERIENCE IN 1960, 1967, 1974 AND BEYOND.

IT WOULD BEST TO UNDERSTAND SCE&G'S, THE FIRST APPROACH OF BELT TIGHTENING VERSUS RAISING PRICES AS AN INDICATOR OF BEING WITHIN A COMPETITIVE MARKET VERSUS A CAPTIVE MARKET.

DORCHESTER COUNTY COUNCIL NEEDS TO SUPPORT THE FREE MARKET SYSTEM THAT HAS GUIDED THIS COUNTRY. THE END GOAL OF ANY BUSINESS ORGANIZATION SHOULD BE TO MAXIMIZE ITS EFFICIENCY IN ORDER TO GENERATE A REASONABLE PROFIT AND REWARD ITS INVESTORS. HOWEVER, EXCESSIVE PROFIT SHOULD NOT BE ACCOMPLISHED AT THE EXPENSE OF THE TAXPAYING CITIZENS. IF IT IS FACTUAL THAT SCE&G HAS MADE "VERY HEALTHY" PROFITS DURING THE RECESSION AND NOT MADE COST CUTTING MOVES THIS IS NOT THE ECONOMIC TIME TO IMPOSE A RATE INCREASE ON WHAT MAY RIGHTLY OR WRONGLY BE CONSIDERED TO BE A CAPTIVE MARKET.

RESPECTFULLY,

JAMES D. MCGRAW
MARCH 15, 2010
104 Lucretia Lane
Summerville, SC 29483

104 Lucretia Lane
Summerville, SC 29483
March 18, 2010

To: Dorchester County Council

Mr. Chairman, Vice-Chairman, and Council Members,

I explained to Dorchester County Council (DCC) last Monday, March 15, 2010 that I was unable to attend the March 1, 2010 DCC meeting but wanted to comment on the proposed South Carolina Electric and Gas (SCE&G) electric rate increase of 9.5%. The March 1st DCC meeting was reported in both the Summerville Journal Scene (SJS) and the Charleston Post and Courier (P&C).

This letter is primarily the same comments I made to DCC on March 15th but has been expanded to give more detail of my feelings and interpretations of the proposed 9.5% rate increase by SCE&G as reported in the SJS and P&C newspapers.

I had anticipated that DCC speaking as *one voice* through a Resolution to either support or deny the proposed increase in representing the majority of their constituents. I did gather from the newspaper articles that there would be a letter (content not yet determined at that time) that would be "optional" for each DCC councilman to sign. I then learned at the last DCC meeting on March 15th that a "letter" has already been sent to the Public Service Commission of South Carolina (PSC) signed by only five of the seven councilmen. Do the constituents of District 2 and District 6 not deserve representation on this issue? This was never made clear at this past DCC meeting.

COMMENTS:

The following are my interpretations and comments are based on the articles of the March 1st DCC meeting as reported by the SJS and P&C:

1. Responsibility:

- a) I agree that it *is* PSC's responsibility to determine the rate structure.
- b) The issue is Dorchester County Council members have been elected and given the responsibility of representing their constituents. In the situation surrounding the proposed rate increase by SCE&G I saw no individual conflict of interest in DCC initiating a motion for a Resolution to either support or deny said increase. Each council member could have voted to either support or deny in representing their district constituents from input received or solicited. If any district councilman does not know the position of the majority of his constituents I would question his interest in the issue and his constituents.
 - The mission and vision statements on the Dorchester county government website refer to meeting the *collective needs* of our citizens in a cost *effective manner* and to commitment to *quality and its citizen focus*.

2) Public Opportunity to Voice Concerns: It was reported that the public will have the opportunity to voice their concerns. I personally have never been to a Public Hearing where one person representing any entity involved (in this case SCANA/SCE&G) who can be held accountable for any statements made. There are the (a) "cocktail" type Public Hearings of mingling and exhibits, (b) "panel" type Public Hearings where a panel presents their position and then open the floor to questions, and (c) a panel or board merely hearing the pro and con presentations of a number of people from each side. These presentations usually contain some facts, some opinions, and some bias. In this scenario the same number people speaking may represent 1,000 on one side and 4,000 on the other side of a given issue. This type process can result in a *disproportionate representation* of the constituents involved. For these reasons I believed it was crucial that DCC represent the majority of their constituents through a *single voice*.

3) The rationale of SCE&G being a good partner with Dorchester County and the state: I am not certain what this has to do with the needs of the constituents of districts 1 through 7 in Dorchester County. SCE&G should be an "independent" and "competitive" organization although I do not know exactly with whom they compete. It was noted that a local electric company, Berkeley Electric Cooperative (BEC) which serves some Dorchester County customers recently announced a rate decrease. If I am correct in where I believe the new IMO Group plant is to be located in Dorchester County it will probably be BEC who provides service to this new plant. People should know the competitors of SCE&G. To most people sitting on the sidelines it would appear that SCE&G is not in a competitive market but in a captive market position.

4) Timing for Rate Increase vs. Residents' Ability to Pay Bills: It is hard to comprehend SCE&G requesting a 9.5% rate increase when people from school district teachers through private industry are being furloughed or taking various percentages of pay decreases up to 100% (i.e., losing their job). There are also those on fixed income to consider.

5) SCE&G Burdened by Federal Mandates: I personally have no information whether this is an actual existing situation or a projected precursor of cap-and-trade.

6) Running a Tight Ship: The representative from SCANA indicated they were running a tight ship and they may be doing so. In the same article a DCC Councilman noted SCE&G has made "very healthy" profits during the recession and not made cost cutting moves. Since I am not privy to either set of information I can only relate from personal experience.

The company I was employed with for thirty years was "fat" during the period of time when things were good and it had a comfortable 60% share of the marketplace. When things got tougher on a cyclic basis in 1960, 1967, and 1974 and beyond it became more lean and efficient. The company maintained its share of the market not by increasing the price of its product but by initially reducing wages then cutting back in both hourly and exempt workforce and asking people to assume more tasks. This meant people working at a capacity level of 85% to 90% as opposed to possibly a previous level of only 70% to 75%. People can work at 100% to 110% for short periods or bursts but not for sustained periods without morale and burnout issues. Eventually over the years and for various reasons product prices did increase. However, the first approach of belt tightening versus raising prices may be the difference between being within a competitive market versus a captive market.

I have previously mentioned to County Council on other issues the need to support the free market system that has guided this country. The end goal of any business organization should be to maximize its efficiency in order to generate a reasonable profit and reward its investors. However, excessive profit should not be accomplished at the expense of the taxpaying citizens. If it is factual that SCE&G has made "very healthy" profits during the recession and not made cost cutting moves this is not the economic time to impose a rate increase on what may rightly or wrongly be considered a *captive market*.

CONCLUSIONS:

I have generated my own set of conclusions which are:

1) It *is* a responsibility of the Public Service Commission of South Carolina to establish rate structures.

2) It *is* a responsibility of Dorchester County Council to speak as one voice for their constituents in Dorchester County. In this case it should have been in the form of presenting the Public Service Commission of South Carolina a Resolution either supporting or denying the proposed rate increase by SCE&G. Letters from individuals should be submitted as well but a Resolution from DCC would give a much truer picture than the possible disproportionate representation that could and often does occur during various Public Hearing arrangements.

3) If it is factual SCE&G has made a "very healthy" profits during the recession and not made cost cutting moves then DCC should have considered this factor by issuing a Resolution *speaking as one voice* in representing their constituents to either support or deny a rate increase at this time.

4) If Item #3 is factual it would appear that it is much easier to increase consumer costs in a *captive market* versus a *competitive market*.

FINAL REQUEST OF DORCHESTER COUNTY COUNCIL:

- 1) My request of DCC is to speak as *one voice* on this issue. Even though you have already issued an "optional signature letter" to the Public Service Commission of South Carolina I am asking you to revisit the issue of speaking as one voice through a DCC resolution. The constituents of District 2 and District 6 deserve representation on this issue.

Thank you for your consideration.

Respectfully,

James D. McGraw
104 Lucretia Lane
Summerville, SC 29483
Phone: (843) 851-7989
Email: jim.is@knology.net

Cc: Ms. Elizabeth B. Fleming, Chairman, Public Service Commission of South Carolina
Mr. John E. Howard, Vice-Chairman, Public Service Commission of South Carolina

S.C. PUBLIC SERVICE COMMISSION PUBLIC HEARING
SCE&G PROPOSED 9.52% RATE INCREASE
6:00 P.M. MONDAY, APRIL 26, 2010
SUMMERVILLE, SC

DORCHESTER COUNTY – SCE&G PROPOSED 9.52% RATE INCREASE

- JIM MCGRAW – 104 LUCRETIA LANE – SUMMERVILLE, SC 29483

I BELIEVE THE FOLLOWING ITEMS SHOULD BE CLARIFIED BY SCE&G TO PROVIDE THE PUBLIC A BETTER UNDERSTANDING OF THE CONDITIONS GENERATING THE NEED FOR WHAT MOST CONSIDER TO BE AN EXCESSIVE RATE INCREASE.

1) CONSIDERATIONS FOR CLARIFICATION:

a. CLARIFY WHETHER SCE&G IN A COMPETITIVE OR CAPTIVE MARKET POSITION

- IF IN A COMPETITIVE MARKET IDENTIFY:
 - THOSE WHO COMPRISE SCE&G COMPETITORS
 - THE PERCENT (%) OF MARKET HELD BY SCE&G
 - THE PERCENT (%) OF MARKET HELD BY EACH COMPETITOR
 - THOSE COMPETITORS IN DORCHESTER COUNTY THAT CAN BE APPROACHED FOR COMPETITIVE BIDS

b. HOW THE FEDERAL MANDATES ARE RELATED TO FEDERAL CAP AND TRADE PROPOSALS

c. TIMING ON RETURN TO INVESTORS DURING A RECESSION PERIOD

- WE NEED TO SUPPORT THE FREE MARKET SYSTEM OF THIS COUNTRY WITH THE END GOAL OF ANY BUSINESS ORGANIZATION BEING ABLE TO MAXIMIZE ITS EFFICIENCY IN ORDER TO GENERATE A REASONABLE PROFIT AND REWARD ITS INVESTORS.
- HOWEVER, EXCESSIVE PROFIT SHOULD NOT BE ACCOMPLISHED AT THE EXPENSE OF THE CONSUMER. IF IT IS FACTUAL THAT SCE&G HAS MADE "VERY HEALTHY" PROFITS DURING THE RECESSION THIS IS NOT THE ECONOMIC TIME TO IMPOSE A RATE INCREASE ON WHAT MAY RIGHTLY OR WRONGLY BE CONSIDERED A CAPTIVE MARKET.

- THIS MAY BE THE TIME TO RECONSIDER HOW MUCH RETURN WILL BE GIVEN TO THE INVESTORS WHO BY BEING INVESTORS ARE ALREADY ACCEPTING A CERTAIN RISK.

TO THE AVERAGE CONSUMER IT APPEARS MUCH EASIER TO OBTAIN RETURNS FROM THE INDIVIDUAL CONSUMER WITHIN A CAPTIVE MARKET THAN WITHIN A COMPETITIVE MARKET.

THANK YOU FOR YOUR TIME.

RESPECTFULLY,

JAMES D. MCGRAW
APRIL 26, 2010
104 Lucretia Lane
Summerville, SC